

AR38

file



DOMAN INDUSTRIES LIMITED

**ANNUAL  
REPORT  
1972**



Doman Industries Limited  
is actively engaged in the  
following businesses:

---

Logging,  
Sawmilling,  
Lumber remanufacturing,  
Truck transport, as licensed public carriers,  
Land development for residential subdivisions,  
Sand, gravel and ready mix concrete,  
Domestic marketing of lumber  
and building supplies,  
Export marketing of lumber.

---

# DOMAN INDUSTRIES LIMITED

(Incorporated under the laws of the Province of British Columbia)

## Board of Directors

H. S. Doman, *President, Doman Industries, Duncan, B.C.*  
D. C. Roberts, *Chartered Accountant, Victoria, B.C.*  
I. C. Danvers, *Executive, Oyama, B.C.*  
J. C. Davie, *Barrister & Solicitor, Williams & Davie, Duncan, B.C.*  
D. S. Doman, *Executive, Doman Industries, Victoria, B.C.*  
E. C. Westwood, *Executive, Nanaimo, B.C.*  
J. R. Abercrombie, C.A., *Treasurer, Doman Industries, Duncan, B.C.*

## Officers

H. S. Doman, *President*  
J. C. Davie, *Secretary*  
J. R. Abercrombie, *Treasurer.*

## Transfer Agent and Registrar

Royal Trust Company, *Vancouver, B.C. and Toronto, Ontario.*

## Stock Exchanges

Common Shares — *Toronto and Vancouver*  
Preferred Shares — *Vancouver*  
Share Purchase Warrants — *Vancouver*

## Bankers

The Royal Bank of Canada

## Solicitors

Williams & Davie, *Duncan, B.C.*

## Auditors

Thorne Gunn & Co., *Vancouver, B.C.*

## Annual Meeting

The Annual General Meeting of the Shareholders of the Company will be held in Duncan, B.C. at the Village Green Inn on Thursday, March 29, 1973 at 2:00 o'clock in the afternoon.

**DOMAN INDUSTRIES LIMITED**

## Financial Highlights

	1972	1971
Sales.....	\$ 26,330,000	\$ 20,816,000
Net Earnings.....	\$ 2,269,000	\$ 1,361,000
Preferred Share Dividends.....	28,000	39,000
Earnings Available for Common Shares .....	\$ 2,241,000	\$ 1,322,000
Earnings per Common Share .....	\$ 1.58	\$ 1.02
Common Share Dividends .....	\$ 153,000	—

## Index

- 3** Financial highlights
- 4** President's report to the shareholders
- 6** Graphs of volumes and totals
- 8** Scope of the company
- 11** History
- 12** Photographs
- 14** Eight year financial summary
- 16** Consolidated statement of earnings
- 17** Consolidated statement of source and application of funds
- 18** Consolidated balance sheet
- 19** Auditor's report
- 20** Notes to financial statements

# President's Report to the Shareholders



H. S. DOMAN,  
*President and Chairman of the Board*

## Review of Operations for the 1972 Year

I am pleased to report to you that during the year ended October 31, 1972 the Company achieved both the highest sales volume and the highest net earnings in its history. Sales reached \$26,330,000, an increase of 26% over the previous high sales mark of \$20,816,000 set in 1971. Net earnings were \$2,269,000, an increase of 67% over the former high level of \$1,361,000 recorded in 1971, and earnings per common share were \$1.58 (1971 - \$1.02).

In 1972 we were assisted by a buoyant domestic economy and by a strong demand for lumber both at home and abroad. During the year we produced and sold 127 million foot board measure of lumber and further volumes, which we purchased from sawmills not owned by the Company, were readily sold at good profit margins. Against this background of excellent marketing conditions we were able to absorb the negative impact of both a prolonged strike in the B.C. Construction Industry and 20 days of lost production in our sawmills during the West Coast lumber strike.

## Expansion

A number of positive steps were taken in 1972 to ensure the future prosperity and competitive position of the Company. These important developments include:

— A move into the new Richmond, B.C. freight ter-

minal by our three mainland transportation companies. These modern dispatch and repair facilities are strategically located and include several acres of blacktopped storage area. The Richmond freight terminal has greatly assisted our mainland transport group and the benefits of this expansion are expected to be realized even more fully in the coming year. In 1973 a rail spur will be added at this freight terminal and the potential of the property's Fraser River foreshore will be evaluated.

— A new domestic lumber sales division was opened to service our customers who operate line yards and building supply outlets on the lower B.C. mainland. This division utilizes six acres of outside storage area adjacent to the Richmond freight terminal mentioned above. These two divisions share a modern office building and benefit from working closely together. Sales volume from the Richmond domestic division in the first year of operation was very encouraging. The supply of lumber to line yards and building supply outlets is considered to be a growth area for the Company.

— During the year additional production machinery was installed in the Company's sawmills. This has resulted in increased productivity and an overall rise in production levels.

— Saltair Lumber Company Ltd. (owned 20% by Domans and 80% by Pacific Logging Company Limited) completed its new sawmill in September, 1972 and an ideal start up was realized. The Saltair plant

can produce lumber for the standard North American dimension markets as well as for the United Kingdom, European and Japanese markets. Its flexibility is of great assistance to Doman Timber Sales Limited, which company markets the Saltair production. The Saltair mill will go onto a full three shift operating basis in early 1973.

— Construction of a large sawmill at Chemainus, B.C. is in progress. This plant will replace the small sawmill destroyed by fire in July, 1972.

— Our new office building in Duncan, B.C. is ready for occupancy and our Head Office was moved to the third floor of these new premises in January, 1973. National and local tenants are located on the first two floors of the building.

## Financial

Cash flow from operations reached a record \$3,386,000, (1971 - \$2,313,000) and at the year end working capital amounted to \$4,325,000 (1971 - \$3,057,000). No significant term debt instalments fall due in the coming year and we expect to finance normal capital expansion out of cash flow. Major capital expenditures can be financed from this source and from monies available to the Company on a draw down basis under the terms of our 1971 bond issue. The Company is in a good cash position and, as its borrowing power has never been greater, no issue of shares is contemplated.

## Dividend Policy

Following the initiation of Common Dividend number one in December, 1971 regular quarterly dividends of 2½c per common share have been declared and paid. In January, 1973 the directors resolved to increased the common dividend to 10 cents quarterly commencing with Common Dividend number six payable April 1, 1973 to shareholders of record March 15, 1973. It is expected that a quarterly dividend of 10 cents can be maintained to establish an annual rate of 40 cents on the present number of common shares outstanding, which at October 31, 1972 was 1,459,676 shares.

DUNCAN, B.C.  
March, 1973.

## Earnings

We have followed the practice of reporting our annual results as earnings per common share on both an undiluted basis and a fully diluted basis. The undiluted earnings are of current interest, while a year by year comparison is more easily facilitated by a review of the earnings on a fully diluted basis. In summary, the earnings per common share have been as follows:

	<i>Undiluted</i>	<i>Fully Diluted</i>
1972	1.58	1.41
1971	1.02	.86
1970	.39	.34
1969	.60	.48
1968	.25	.22

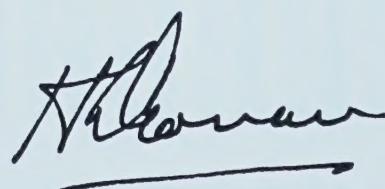
Our present forecasts indicate that 1973 earnings per common share should increase on a fully diluted basis from \$1.41 in fiscal 1972 to over \$2.00 in fiscal 1973.

## Outlook

Against the background of a strong world wide demand for lumber, I anticipate a particularly rapid growth for our lumber manufacturing and export sales divisions. Sales will grow with the advent of increasing lumber production from the Ladysmith and Saltair sawmills, together with production from the Chemainus sawmill now under construction, and from the Anderson sawmill to be acquired by the Company in 1973. Our continuing sawmill modernization program, the trend toward standard lumber grades and sizes, and better lumber assembling, shipping and distribution techniques are all contributing to lower unit costs. These factors together with the availability of complete and timely market information will provide record earnings from lumber manufacturing and export sales in 1973.

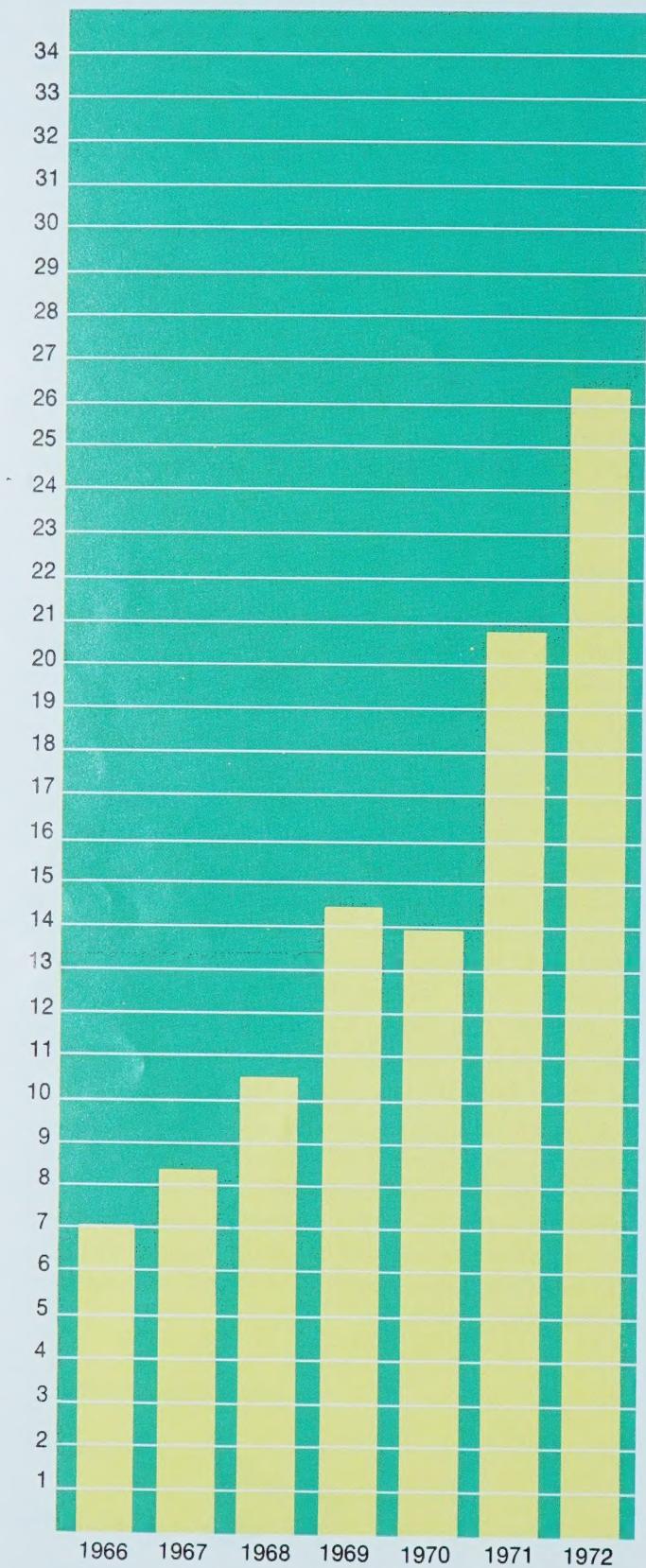
In each of our remaining divisions I am looking for growth in both sales and net earnings. The steady contributions of our employees, who now number over 450, make all of this possible, and their loyal and dedicated efforts are sincerely appreciated. On a consolidated basis, record sales and net earnings are indicated in 1973.

Respectfully submitted,

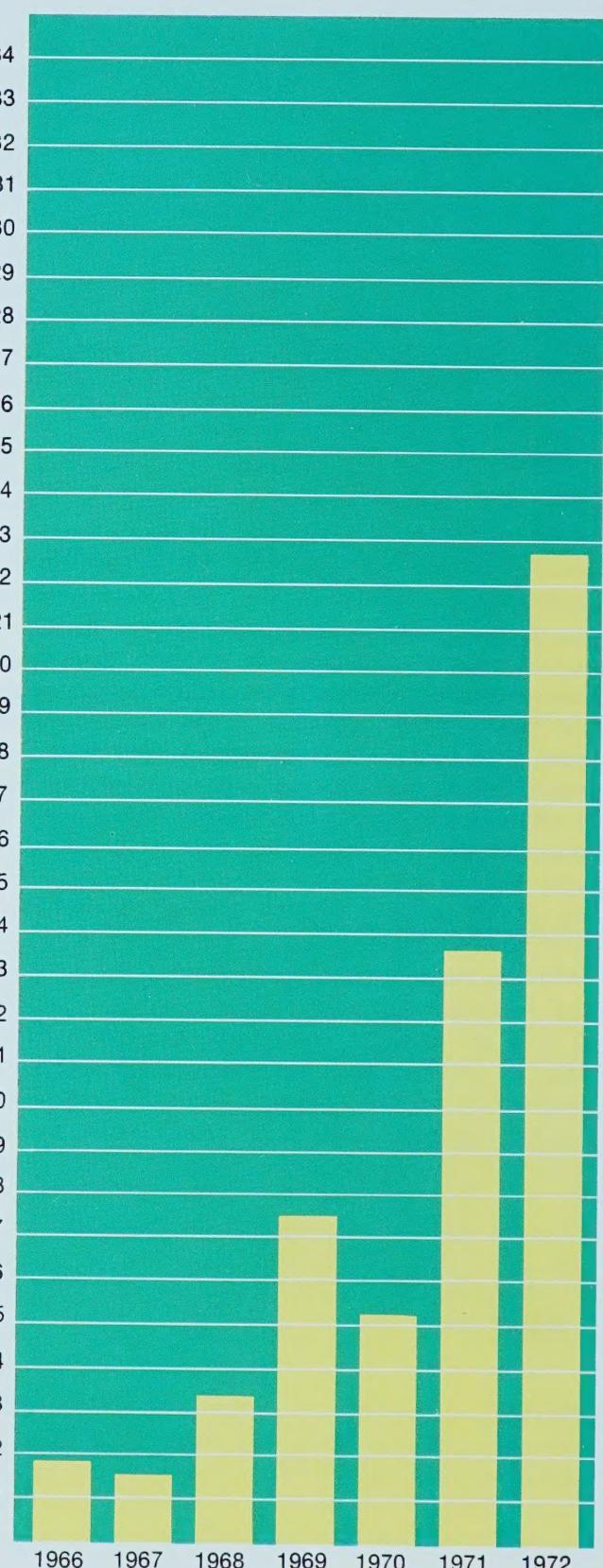


H. S. Doman,  
President & Chairman of the Board.

## Volumes and Totals / 1966 - 1972

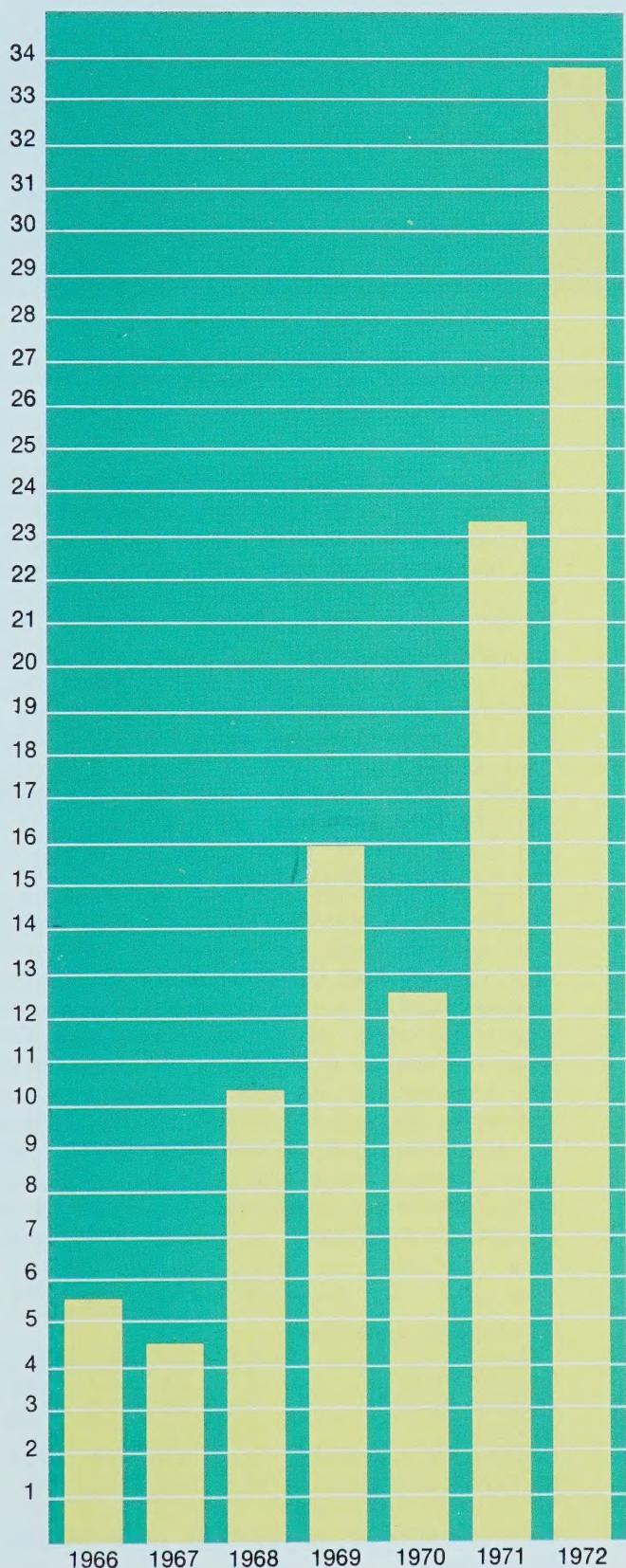


SALES VOLUME  
(\$ MILLIONS)

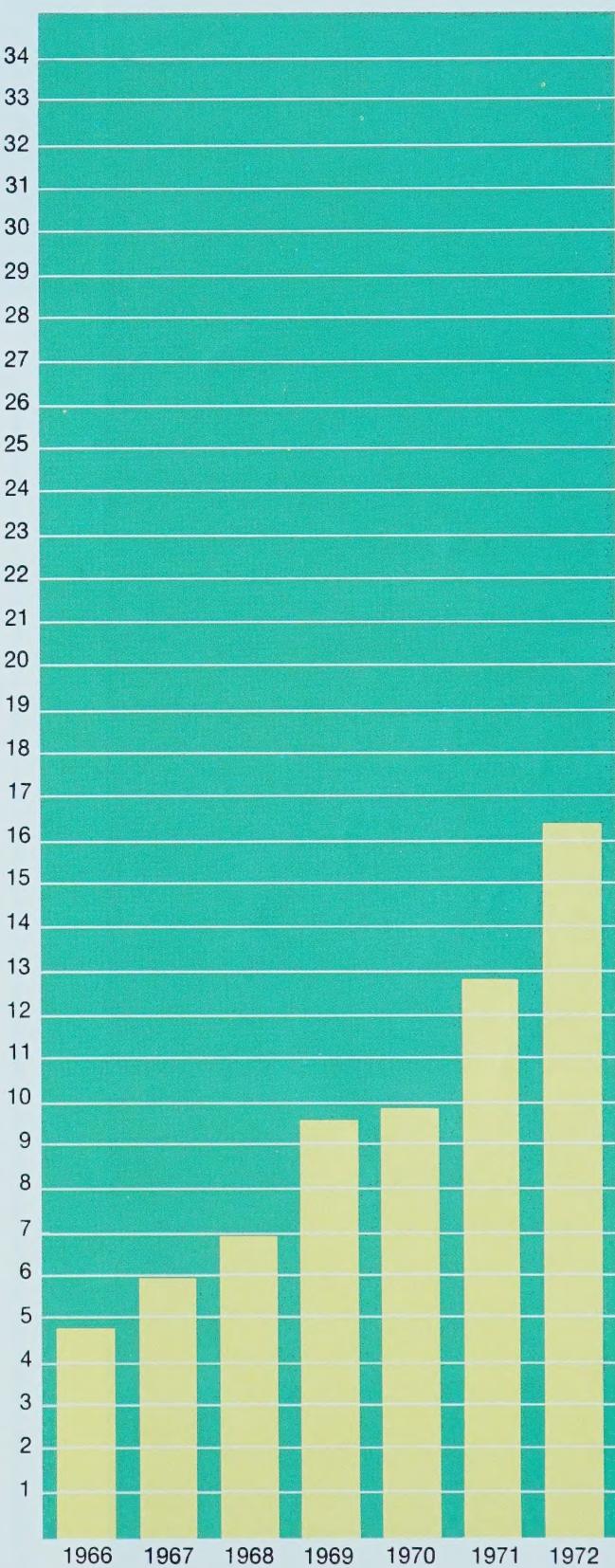


NET EARNINGS  
(\$ HUNDREDS OF THOUSANDS)

## Volumes and Totals / 1966 - 1972



CASH FLOW  
(\$ HUNDREDS OF THOUSANDS)



TOTAL ASSETS AT FISCAL YEAR END  
(\$ MILLIONS)

# SCOPE OF THE COMPANY



The Company's principal businesses are depicted in the photographs on this page. Lower left 1. shows a log yarding and loading "Side" at O.B. Logging Co. Ltd. Middle left 2. is a deck of barked logs ready for production through the Quad Band Mill of Ladysmith Forest Products Limited. Upper left 3. is rough or unfinished lumber entering the Ladysmith planer mill. The lumber is starting the final stage of the manufacturing process at this point. Above 4. are packages of lumber in storage at the Chemainus Assembly Yard. Upper right 5. a new Doman's Transport Ltd. tractor. Middle right 6. a view from the Richmond dispatch office of Doman-Marpole Transport Limited, and Lower right 7. merchandise on display at the Victoria Retail Building Supply Centre.

The Company's activities fall within three main operating groups which break down as follows: MANUFACTURING AND EXPORT GROUP, which includes logging, sawmilling, lumber remanufacturing and the export marketing of lumber. DOMESTIC GROUP, which is made up of the domestic marketing of lumber and building supplies including sand, gravel and ready mix concrete, as well as land development for residential subdivisions. TRANSPORT GROUP, which takes in the operation of our truck transport fleet. Consolidated sales volume analysed by operating group is as follows:

	1972	1971	1970	1969	1968
	(\$ millions)				
Manufacturing and Export Group	16.2	13.0	8.1	8.2	4.5
Domestic Group	10.2	6.9	5.3	6.9	5.7
Transport Group	3.4	2.9	2.3	2.0	2.1
Sub-total	29.8	22.8	15.7	17.1	12.3
Consolidation eliminations	(3.5)	(2.0)	(1.8)	(2.8)	(1.8)
Net Consolidated Sales	26.3	20.8	13.9	14.3	10.5

1972 consolidated net earnings of \$2,268,638 were derived from:

Manufacturing and Export Group \$1,719,534 or 76% and Domestic and Transport Groups combined



\$549,104 or 24%. 1971 consolidated net earnings of \$1,361,262 were derived from: Manufacturing and Export Group \$989,764 or 73% and Domestic and Transport Groups combined \$371,498 or 27%.

MANUFACTURING AND EXPORT GROUP, included are;

Doman Timber Sales Limited, 100% owned, whose export division holds the exclusive lumber sales contracts for the undernoted sawmill companies in the group.

Nanoose Forest Products Limited, 100% owned, whose operation on Company lands at Chemainus, B.C. include a lumber remanufacturing plant and a new sawmill under construction to replace the mill destroyed by fire in July, 1972. Nanoose is presently operating at a 20 MMFBM annual rate, which is soon to be increased to 60 MMFBM; Ladysmith Forest Products Limited 80% owned with 20% held by Canadian Pacific Investments Limited through its subsidiary companies Pacific Logging Company Limited and T. W. MacKenzie Logging Ltd., operates a small log sawmill at Ladysmith, B.C. which is presently producing at a 120 MMFBM annual rate; Saltair Lumber Company Ltd., 20% owned with 80% held by Pacific Logging Company Limited, operates a large log sawmill at Ladysmith, B.C. which was completed in September, 1972. Saltair is presently operating at a 100 MMFBM annual rate. Both the Saltair and Ladysmith mills are built on land held under long term lease.

The Manufacturing and Export Group also includes O. B. Logging Co. Ltd., 100% owned which operates a Timber Sales Harvesting License at Jervis Inlet, B.C. as well as several Timber Sales all in the Quadra Public Sustained Yield Unit. The annual allowable production of logs under license and sale is 20 MMFBM.

DOMESTIC GROUP, included are;

Five building supply outlets in B.C. operated by Doman Industries Limited. These include wholesale

yards in Nanaimo, Victoria and Surrey, a combination wholesale-retail yard in Duncan, and a retail store in Victoria. In this group is a supporting materials assembly yard located at Chemainus, and the new Richmond domestic division of Doman Timber Sales Limited which opened in 1972 to supply line yards and building supply outlets on the B.C. mainland. All of these facilities are located on land owned by the company with the exception of the Victoria stores which are located on land held under long term lease.

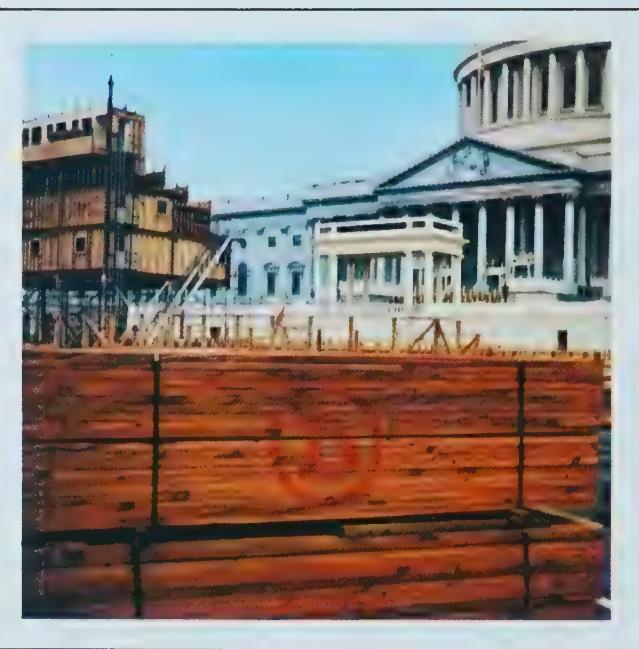
Also in the group is Armour & Saunders Ltd., 100% owned, which company works closely with the Doman's building supply outlets on Vancouver Island. Armour & Saunders Ltd. operates a sand, gravel and ready mix concrete business, has its own aggregate deposits, washing plant and concrete batch plant all located on land owned by the company, and operates a modern fleet of specialized mobile equipment to deliver its products. The fourth member of the Domestic Group is Doman Investments Limited, 100% owned, which company holds share interests varying from 10% to 50% in three land development companies in the business of providing residential building lots on Vancouver Island. The company also owns land in its own right which is being held for development.

**TRANSPORT GROUP;** included are the following wholly owned subsidiary companies: Doman's Transport Ltd., Doman-Marpole Transport Limited, Doman's Freightways Ltd. and Davinder Freightways Ltd. The fifth member of this group is Hyak Transport Limited 60% owned with 40% of Hyak owned by Westcan Terminals Ltd., a subsidiary of Sooke Forest Products Ltd. The Transport Group operates out of modern dispatch and repair facilities on land held under long term lease in Duncan on Vancouver Island and on Company land in Richmond on the lower B.C. mainland. The equipment fleet presently includes 65 diesel tractors and 127 trailers, numerous pieces of specialized mobile equipment, and additional equipment hired on a daily basis to meet peak demand periods. Miles travelled in 1972 were in excess of 3,750,000 (1971 - 3,500,000).

The Transport Group operates as a public carrier of freight throughout British Columbia, north into the Yukon and south into Washington and Oregon. In addition to operating as a public carrier, our transport fleet is able to handle the internal movement of goods for the other Doman divisions, including bulk deliveries from suppliers and to customers. This in house business provides our Transport Group with exceptionally high equipment utilization. In turn, the ability to call on the transport fleet to move large volumes of cargo quickly and on a night shift basis is of great assistance to the other divisions of the Company.

---

*The picture at the lower right shows Doman lumber which was used to construct the stands for President Nixon's second term of office inauguration ceremony in Washington, D.C.*



## COMPANY HISTORY

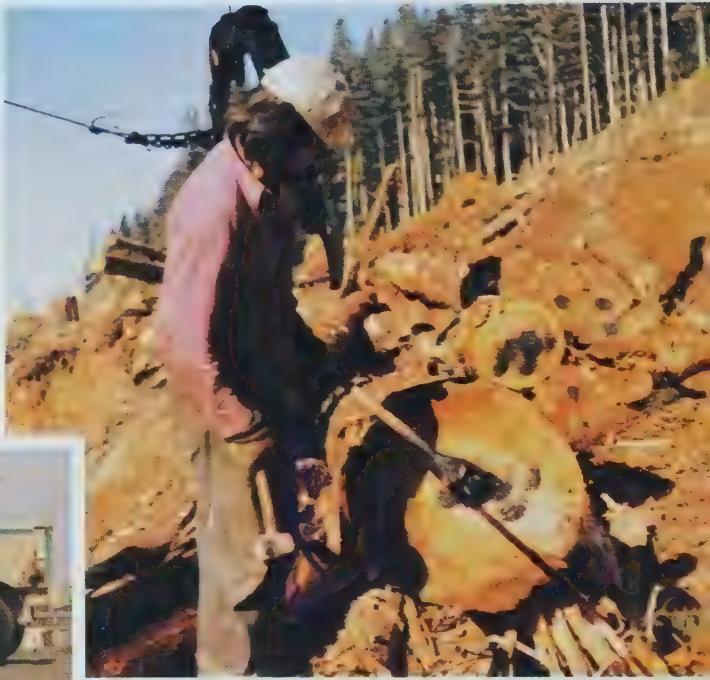
# DOMAN INDUSTRIES LIMITED

Doman Industries Limited was incorporated in 1955 to carry on the business of its founder, Harbanse S. Doman. At that time the business included contract hauling of lumber and copper ore, and selling lumber and fuel. The business expanded to become a public carrier of freight, first on Vancouver Island, then into Vancouver, and in 1964 throughout the Province of B.C. A parallel development took place in the merchandizing field when lumber sales were broadened to include a full line of building supplies. In 1964 supply problems with lumber led to the entry of the Company into the sawmilling business. In the same year Doman Industries Limited became a public company. Following a public issue of securities, the Company's common and preferred shares were called for trading by the Vancouver Stock Exchange in April, 1965. In that year consolidated sales reached nearly six million dollars and Domans added a sand, gravel and ready mix concrete company to its growing list of businesses.

With the completion of the Ladysmith Forest Products Limited sawmill in 1967 Domans entered into large volume lumber production and export lumber sales. These two steps were to become major factors in the growth which followed. The second public underwriting was made in 1967 and our first large debt financing was completed with RoyNat Ltd. By 1968 lumber production exceeded 40 million board feet, and in the following year the Company entered the logging business when it acquired O.B. Logging Co. Ltd. which acquisition included a Timber Sale Harvesting License.

In July, 1969 the common shares were split 3 for 1, additional debt financing was completed and in that year annual lumber production passed the 70 million board foot mark. In May 1970 the common shares were called for trading by the Toronto Stock Exchange. In 1971 new records were set when consolidated sales passed the twenty million dollar level and lumber production reached 123 million board feet. In that year transport hauling rights were acquired for the States of Washington and Oregon, the Company expanded into the business of land development for residential subdivisions, and construction started on the new Saltair Lumber Company Ltd. sawmill. During the year new debt financing was completed under a First Mortgage Bond Issue and Common Share Dividend number one was declared on December 10, 1971. The year ended with the 28th consecutive quarterly dividend being declared on the Company's Preferred Shares.

This brings us to 1972 which is the subject covered throughout this report.



Top — Tractor with chemical trailer.  
Center — "Chaser" marking logs.  
Bottom — At the log dump.



Top — Trailers triple decked for storage.  
Center — Part of the new fleet.  
Bottom — Head office under construction.



Top — Richmond, B.C., new transport depot.  
Top Left — Head office construction Duncan, B.C.  
Below Right — Logging at O.B. Division.



Above — Ladysmith Forest Products Mill.  
Below — Tri-axle trailer with aluminum cable load.



# DOMAN INDUSTRIES LIMITED

## Financial Summary / 1965 - 1972

### Earnings

	1972	1971	1970
Sales .....	<b>\$26,329,890</b>	\$20,816,101	\$13,944,725
Earnings Before Income Taxes .....	<b>4,674,302</b>	3,042,831	1,181,439
Less Income Taxes .....	<b>2,405,664</b>	1,681,569	657,239
Net Earnings .....	<b>2,268,638</b>	1,361,262	524,200
Less Preferred Dividends .....	<b>28,058</b>	39,065	45,139
Net Earnings Available for Common Shares .....	<b>2,240,580</b>	1,322,197	479,061
Earnings Per Common Share*			
— Undiluted .....	<b>1.58</b>	1.02	.39
— Fully Diluted .....	<b>1.41</b>	.86	.34

*\*(1968 and prior restated for  
1969 - 3 for 1 stock split)*

### Cash Flow

	1972	1971	1970
Cash Flow from Operations .....	<b>\$ 3,385,938</b>	\$ 2,312,604	\$ 1,238,518
Issue of Securities .....	<b>597,953</b>	1,158,397	3,850
Sale of Fixed Assets .....	<b>256,533</b>	47,110	198,236
Purchase of Fixed Assets .....	<b>2,303,266</b>	1,349,856	923,417
Reduction in Long Term Debt .....	<b>129,362</b>	272,939	361,328
Sundry Use of Funds .....	<b>359,005</b>	108,372	32,918
Investment in Subsidiary Companies .....	—	293,443	—
Preferred Dividends .....	<b>28,058</b>	39,065	45,139
Common Dividends .....	<b>152,962</b>	—	—
Increase (Decrease) in Working Capital .....	<b>1,267,771</b>	1,454,436	77,802

### Balance Sheet

	1972	1971	1970
Current Assets .....	<b>\$ 8,579,620</b>	\$ 6,736,193	\$ 4,759,739
Current Liabilities .....	<b>4,254,516</b>	3,678,860	3,156,842
Working Capital .....	<b>4,325,104</b>	3,057,333	1,602,897
Fixed Assets — Net .....	<b>6,865,940</b>	5,422,317	4,705,892
Other Assets .....	<b>963,590</b>	656,834	425,958
Long-Term Indebtedness .....	<b>3,114,633</b>	2,749,089	2,095,190
Deferred Income Taxes .....	<b>766,041</b>	663,676	682,078
Preferred Shares .....	<b>347,860</b>	533,560	662,360
Common Shareholders' Equity .....	<b>7,110,758</b>	4,734,393	3,016,999
Interest of Minority Shareholders .....	<b>815,342</b>	455,766	278,120

1969	1968	1967	1966	1965
\$14,341,367	\$10,486,069	\$8,362,126	\$7,011,818	\$5,981,820
1,817,993	735,057	314,729	374,560	438,169
1,077,000	403,961	156,400	184,415	201,498
740,993	331,096	158,329	190,145	236,671
55,199	63,050	56,550	37,050	27,788
685,794	268,046	101,779	153,095	208,883
.60	.25	.10	.14	.20
.48	.22	.10	.14	.18
1969	1968	1967	1966	1965
\$ 1,593,999	\$ 1,001,781	\$ 428,981	\$ 530,797	\$ 503,446
1,456,400	668,422	1,350,000	—	1,278,484
112,948	862	9,618	44,123	129,649
1,289,193	509,640	1,015,779	735,294	1,283,458
501,822	300,660	371,234	91,997	—
31,074	73,939	236,750	33,377	284,215
831,531	—	—	—	—
55,199	63,050	56,550	37,050	27,788
—	—	—	—	—
454,528	723,776	108,286	(322,798)	316,118
1969	1968	1967	1966	1965
\$ 4,587,142	\$ 3,588,436	\$2,802,367	\$2,571,165	\$1,985,534
3,062,047	2,517,869	2,455,576	2,332,660	1,424,231
1,525,095	1,070,567	346,791	238,505	561,303
4,487,724	2,861,629	2,728,026	1,986,637	1,582,983
444,479	494,480	461,208	264,347	299,765
2,456,518	1,490,974	1,123,212	544,446	636,333
601,761	444,761	244,700	235,700	182,700
727,360	970,000	970,000	570,000	570,000
2,469,088	1,469,254	1,201,208	1,139,318	1,055,018
202,571	51,687	(3,095)	25	—

# DOMAN INDUSTRIES LIMITED

## Consolidated Statement of Earnings and Retained Earnings

Year Ended October 31, 1972 (with comparative figures for 1971)

	1972	1971
Sales of products, merchandise and services .....	<b>\$26,329,890</b>	\$20,816,101
Costs and expenses (notes 2 and 5)		
Cost of sales, selling and administration expense .....	<b>20,349,717</b>	16,551,445
Depreciation .....	<b>525,401</b>	466,686
Depletion of timber and amortization of roads .....	<b>77,709</b>	195,080
Amortization of deferred preproduction expenses .....	<b>41,675</b>	41,675
Interest on long-term debt .....	<b>301,559</b>	264,244
	<b>21,296,061</b>	17,519,130
Earnings before income taxes and minority interest .....	<b>5,033,829</b>	3,296,971
Income taxes		
Current .....	<b>2,303,299</b>	1,699,971
Deferred .....	<b>102,365</b>	(18,402)
	<b>2,405,664</b>	1,681,569
Earnings before minority interest .....	<b>2,628,165</b>	1,615,402
Interest of minority shareholders in earnings of subsidiaries .....	<b>359,527</b>	254,140
NET EARNINGS FOR THE YEAR .....	<b>2,268,638</b>	1,361,262
Retained earnings at beginning of year .....	<b>3,670,056</b>	2,347,859
	<b>5,938,694</b>	3,709,121
Dividends		
Preferred shares .....	<b>28,058</b>	39,065
Common shares .....	<b>152,962</b>	—
	<b>181,020</b>	39,065
RETAINED EARNINGS AT END OF YEAR .....	<b>\$ 5,757,674</b>	\$ 3,670,056
Earnings per common share (note 9) .....	<b>\$1.58</b>	\$1.02

## Consolidated Statement of Source and Application of Funds

Year Ended October 31, 1972 (with comparative figures for 1971)

	1972	1971
<b>SOURCE OF FUNDS</b>		
Operations		
Net earnings for year	<b>\$ 2,268,638</b>	\$ 1,361,262
Add items not representing a current outlay of funds		
Depreciation and depletion	<b>603,110</b>	661,766
Deferred income taxes	<b>102,365</b>	(18,402)
Amortization of deferred charges	<b>52,298</b>	53,838
Interest of minority shareholders	<b>359,527</b>	254,140
Total funds from operations	<b>3,385,938</b>	2,312,604
Issue of securities		
Common shares	<b>103,047</b>	266,397
First Mortgage Bonds, net of bonds retired	<b>—</b>	892,000
Bank loan	<b>494,906</b>	—
Proceeds from disposal of fixed assets, net of gains	<b>256,533</b>	47,110
	<b>4,240,424</b>	3,518,111
<b>APPLICATION OF FUNDS</b>		
Additions to fixed assets	<b>2,303,266</b>	1,349,856
Net reduction in long-term debt	<b>129,362</b>	272,939
Net increase in investments and receivables other than current	<b>359,005</b>	108,372
Dividends on preferred shares	<b>28,058</b>	39,065
Dividends on common shares	<b>152,962</b>	—
Acquisition of subsidiary companies	<b>—</b>	293,443
	<b>2,972,653</b>	2,063,675
INCREASE IN WORKING CAPITAL	<b>1,267,771</b>	1,454,436
WORKING CAPITAL BEGINNING OF YEAR	<b>3,057,333</b>	1,602,897
WORKING CAPITAL AT END OF YEAR	<b>\$ 4,325,104</b>	\$ 3,057,333

# DOMAN INDUSTRIES LIMITED

## Consolidated Balance Sheet at October 31, 1972

(with comparative figures at October 31, 1971)

	ASSETS	1972	1971
<b>CURRENT ASSETS</b>			
Cash and term deposits, net of bank advances		<b>\$ 1,335,729</b>	\$ 1,249,656
Accounts receivable		<b>3,753,751</b>	2,123,454
Inventories (note 3)		<b>3,335,748</b>	3,226,200
Prepaid expenses and other		<b>154,392</b>	136,883
		<b>8,579,620</b>	6,736,193
<b>INVESTMENTS AND RECEIVABLES OTHER THAN CURRENT (note 4)</b>		<b>601,396</b>	242,342
<b>FIXED ASSETS, at cost (note 5)</b>			
Buildings, machinery and equipment		<b>7,319,365</b>	5,828,584
Less accumulated depreciation		<b>2,381,874</b>	2,147,774
		<b>4,937,491</b>	3,680,810
Land		<b>804,310</b>	666,669
Timber holdings and logging roads, less amounts written off \$979,317 (1971 - \$901,608)		<b>1,124,139</b>	1,074,838
		<b>6,865,940</b>	5,422,317
<b>INTANGIBLES AND DEFERRED CHARGES</b>			
Deferred charges, less amortization		<b>7,911</b>	60,209
Excess of cost over book values on acquisition of shares in subsidiaries, identified mainly with freight hauling rights		<b>354,283</b>	354,283
		<b>362,194</b>	414,492
		<b>\$16,409,150</b>	\$12,815,344

Approved by the Board

**\$16,409,150      \$12,815,344**

Theresa Director



John Davies  
Director

## LIABILITIES

	1972	1971
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities .....	<b>\$ 2,858,782</b>	\$ 2,107,454
Income taxes payable .....	<b>1,255,550</b>	1,410,087
Principal instalments due within one year on long-term debt .....	<b>140,184</b>	161,319
	<b>4,254,516</b>	3,678,860
<b>LONG-TERM DEBT, less principal instalments included in current liabilities (note 6) .....</b>	<b>3,114,633</b>	2,749,089
<b>DEFERRED INCOME TAXES .....</b>	<b>766,041</b>	663,676
<b>INTEREST OF MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANIES .....</b>	<b>815,342</b>	455,766

## SHAREHOLDERS' EQUITY

	Authorized	Issued		
<b>CAPITAL STOCK (note 7)</b>				
6½ % Cumulative redeemable convertible preferred shares, par value \$10 .....	54,786 (1971 - 73,356)	34,786 (53,356)	<b>347,860</b>	533,560
Common shares no par value .....	3,248,856 (1971 - 3,174,576)	1,459,676 (1,341,233)	<b>1,353,084</b> <b>1,700,944</b> <b>5,757,674</b>	1,064,337 1,597,897 3,670,056
<b>RETAINED EARNINGS .....</b>			<b>7,458,618</b> <b>\$16,409,150</b>	5,267,953 \$12,815,344

## AUDITORS' REPORT

To the Shareholders of  
Doman Industries Limited

We have examined the consolidated balance sheet of Doman Industries Limited and subsidiary companies as at October 31, 1972 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

December 1, 1972.

Thorne Gunn & Co.  
Chartered Accountants

# DOMAN INDUSTRIES LIMITED

## Notes to Consolidated Financial Statements Year Ended October 31, 1972

### 1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the subsidiary companies, all of which are wholly-owned except Ladysmith Forest Products Limited (80% owned), Hyak Transport Limited (60% owned) and Duncan Financial Centre Ltd. (51% owned).

The accounts of Saltair Lumber Company Ltd. (20% owned) and three land development companies (50% owned) are not consolidated. Saltair Lumber Company Ltd. (a new company 80% owned by Pacific Logging Company Limited) recently constructed a large-log sawmill which commenced operations in September 1972. The land development companies are in the initial stages of subdivision development and have not yet earned income.

### 2. STATUTORY INFORMATION

Included in or netted against cost of sales, selling and administration expense are the following:

- (a) Directors' remuneration, including fees to directors and remuneration of officers and employees who are also directors — \$132,000 (1971 — \$112,953)
- (b) Gain on disposal of fixed assets — \$133,045 (1971 — \$99,729).
- (c) Income from investments — \$2,220 (1971 — \$10,515).

### 3. INVENTORIES

	1972	1971
Logs.....	<b>\$1,247,670</b>	\$1,360,961
Lumber.....	<b>1,362,923</b>	1,366,046
Merchandise.....	<b>587,409</b>	381,743
Supplies.....	<b>137,746</b>	117,450
	<hr/> <b>\$3,335,748</b> <hr/>	<hr/> \$3,226,200 <hr/>

Lumber, logs and merchandise are valued at the lower of cost and net realizable value; supplies are valued at the lower of cost and replacement cost.

### 4. INVESTMENTS AND RECEIVABLES OTHER THAN CURRENT

Included in this balance at October 31, 1972 are advances to affiliated companies, Saltair Lumber Company Ltd. and land development companies (see Note 1), aggregating \$387,856.

### 5. FIXED ASSETS AND DEPRECIATION

Depreciation is recorded on a straight-line basis at rates based on the estimated useful lives of fixed assets. These estimated useful lives range between five to ten years for automotive equipment, ten to fifteen years for other equipment and twenty years for buildings. Costs of timber holdings and logging roads are written off as timber in the area is removed.

### 6. LONG-TERM DEBT

Outstanding October 31, 1972	Principal instalments due within one year
First Mortgage Bond, se- curing 10½ % loan pay- able in 20 quarterly in- stalments of \$100,000 commencing in Septem- ber, 1978, balance due September 1983, interest payable quarterly .....	<b>\$2,500,000</b>
6½ % bank loan, in- terim financing for Duncan Financial Centre Ltd. 25 year 9½ % first mortgage loan of \$750,000 .....	516,762
7% Debentures of Ladysmith Forest Products Limited, held by its shareholders, repayable from 1972-1974 .....	141,690
Other agreements and secured loans payable .....	96,365
	<hr/> <b>\$3,254,817</b> <hr/>
	\$140,184

Under the terms of the First Mortgage Bond agreement a further amount of \$2,150,000 is available to the company on a draw down basis at an interest rate of prime plus 1½ %, and if drawn down will be repaid in quarterly instalments of \$87,500 with the balance due in September, 1976. The further amount available decreases \$87,500 per quarter if not utilized.

## 7. CAPITAL STOCK

Preferred shares are redeemable at \$10.65 per share; each share is convertible, at the option of its holder, into four common shares at any time up to thirty days after notice of redemption. Changes in the company's capital stock during the year were as follows:

- (a) 18,570 issued preferred shares were converted at their par value of \$185,700 into 74,280 common shares without par value.
- (b) 44,163 common shares were issued for \$103,047 cash on exercise of purchase warrants.

Stock options remain outstanding on 9,300 shares granted to directors in 1969. These are exercisable at \$3.67 per share as to 2,100 shares per year for three years (this right is cumulative) and as to 3,000

shares at \$6.15 per share until July 11, 1974. In addition to the 9,300 unissued common shares reserved for these options, 46,380 common shares are reserved for the balance of 15,460 stock purchase warrants issued in 1967 and still outstanding, entitling the bearer of each warrant until December 31, 1976, to purchase three common shares for \$7.00 (\$2.33 per share).

## 8. CONTINGENT LIABILITY

The company has given guarantees of \$462,000 on long-term borrowing by Saltair Lumber Company Ltd.

## 9. EARNINGS PER SHARE

The figures for earnings per share are calculated on the weighted average number of shares outstanding. Fully diluted earnings per share, assuming that all of the 6½ % cumulative redeemable preferred shares outstanding at October 31, 1972 had been converted into common shares on November 1, 1971 and all stock options and stock purchases warrants had been exercised on that date, would have been, 1972 — \$1.41 (1971 — \$0.86).



Ecology at work. The second growth follows the loggers up the hill, open area replanted in 1972.



O.B. Logging Co. Ltd. booming ground with Mt. Churchill in the background.



Sidewinder boom boat.